

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MOORLAND TOWNSHIP	County MUSKEGON
Fiscal Year End 3/31/07	Opinion Date 6/28/07	Date Audit Report Submitted to State 7/5/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) BRICKLEY DELONG PLC		Telephone Number 231-726-5800		
Street Address 316 MORRIS AVENUE		City MUSKEGON	State MI	Zip 49443
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> <i>for Brickley DeLong, PLLC</i>		Printed Name TIMOTHY D. ARTER		License Number 10253

Moorland Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2007

Moorland Township

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As management of Moorland Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Moorland Township for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

Moorland Township's Fire Fund paid off the Township's only outstanding equipment loan during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Moorland Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of Moorland Township include general government, public works, public safety and community and economic development activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Moorland Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Moorland Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund, which are considered major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Fire Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Moorland Township. Current assets increased during the year due to an increase in current assets of the Fire Fund. Capital asset increased due to the donation of a fire truck. Noncurrent liabilities decreased due to the early repayment of an equipment loan. Capital assets, net of related debt increased primarily due to the donated fire truck.

As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2007, the Township's net assets from governmental activities totaled \$1,037,124. The net assets are comprised of two parts, invested in capital assets, net of related debt of \$409,745, which represent the net investment the Township has in fixed asset less accumulated depreciation and related debt. The balance of the net assets is unrestricted.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets, net of related debt (i.e., buildings, land, fire equipment and office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$627,379. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	Governmental Activities	
	2007	2006
Current assets and other assets	\$ 637,267	\$ 610,652
Capital assets	409,745	300,536
Total assets	1,047,012	911,188
Current liabilities	9,888	6,638
Noncurrent liabilities	-	17,478
Total liabilities	9,888	24,116
Net assets		
Invested in capital assets, net of related debt	409,745	278,849
Unrestricted	627,379	608,223
Total net assets	\$ 1,037,124	\$ 887,072

Moorland Township

Management's Discussion and Analysis

Governmental Activities

The table below is a summary of the government-wide statement of changes in Net Assets. During the year, there were a few significant changes from last year. Charges for services revenues increased due to an increase in impact fees received from Muskegon County. Capital grants and contributions increased due to the donation of a fire truck. Property taxes increased due to uncapping of taxable value due to the sale of several land parcels of property. General government expenses increased due to the creation of a new secretarial position along with normal inflationary cost increases. Public works expenses decreased due to a drop road work. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its expenditures producing the resulting change in net assets.

Change in Net Assets

	2007	2006
Revenues:		
Program revenues		
Charges for services	\$ 58,716	\$ 46,181
Capital grants and contributions	110,000	-
General revenues		
Property taxes	147,257	135,295
Grants and contributions not restricted to specific programs	118,440	120,850
Unrestricted investment earning	15,201	14,273
Miscellaneous	5,420	7,839
Total revenues	455,034	324,438
Expenses:		
General government	136,732	116,237
Public safety	70,316	74,024
Public works	92,338	137,726
Community and economic development	5,331	6,378
Interest on long-term debt	265	1,554
Total expenses	304,982	335,919
Change in net assets	150,052	(11,481)
Net assets - Beginning	887,072	898,553
Net assets - Ending	\$ 1,037,124	\$ 887,072

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Moorland Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Moorland Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, Moorland Township governmental funds reported a combined reserved and unreserved fund balance of \$627,379. This number represents the unreserved fund balance of \$486,571 in the General Fund and \$129,679 in the Fire Fund. The balance of \$11,129 is reserved for prepaid expenditures.

General Fund Budget

During the current fiscal year, the Township made several small amendments to its original budget. All the increases in the budget were completely offset by a decrease in the contingency budget.

The following comments summarize the major variations from the final amended budget to the final actual expenditures.

General Fund

- Intergovernmental revenues – Local were over budget due to continued increase in impact fees being received from the county.
- Township Board expenditures were under budget due to an unanticipated drop in legal fees.
- General administrative expenditures were under budget due to a drop in office supplies and contracted service related to the computer system.
- Roads were under budget due to not completing all of the anticipated projects.

Fire Fund

- Fire department debt service expenditures were overbudget due to the board approving the early repayment of debt, but the early repayment was inadvertently omitted from the final amended budget.

Capital Assets

Moorland Township investment in capital assets for its governmental activities as of March 31, 2007 totaled \$409,745 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment and fire equipment. The township's only significant capital asset addition during the year was a donated fire truck. This increase in capital assets was partially offset by normal depreciation.

Capital Assets (Net of Accumulated Depreciation)

	Governmental activities	
	2007	2006
Land	\$ 22,500	\$ 22,500
Buildings and improvements	49,642	45,579
Furniture and equipment	9,855	12,139
Fire equipment	327,748	220,318
Total	<u>\$ 409,745</u>	<u>\$ 300,536</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

Long-term debt

At March 31, 2007, the Township had no outstanding long-term debt. The balance of \$21,687 as of March 31, 2006 was repaid during the year.

General Economic Overview

The Township's General Fund is comprised of two major revenue sources; state revenue sharing and property tax revenue. Those two sources comprised approximately 70% of the General Fund revenue sources. In fiscal 2008, state revenue sharing is expected to remain flat and property tax revenues are expected to increase approximately 2%.

The Township anticipates spending \$23,000 on roof repairs for the Township hall. The Township also expects an increase in general road maintenance costs.

Requests for Information

This financial report is designed to provide a general overview of the Moorland Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Moorland Township, 12416 E. Apple Ave., Ravenna, MI 49451, (231) 853-2015.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 28, 2007


Township Board
Moorland Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Moorland Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Moorland Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Moorland Township, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vi and 18 - 19 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



Moorland Township
STATEMENT OF NET ASSETS
March 31, 2007

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 578,583
Due from other governmental units	47,555
Prepaid items	<u>11,129</u>
Total current assets	637,267
 NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	22,500
Depreciable	<u>387,245</u>
Total noncurrent assets	<u>409,745</u>
Total assets	1,047,012
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	<u>9,888</u>
 NET ASSETS	
Invested in capital assets	409,745
Unrestricted	<u>627,379</u>
Total net assets	<u><u>\$ 1,037,124</u></u>

The accompanying notes are an integral part of this statement.

Moorland Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2007

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense)
		Charges for services	Capital grants and contributions	Revenue and Changes in Net Assets
				Governmental activities
Governmental activities				
General government	\$ 136,732	\$ 3,040	\$ -	\$ (133,692)
Public safety	70,316	55,676	110,000	95,360
Public works	92,338	-	-	(92,338)
Community and economic development	5,331	-	-	(5,331)
Interest on long-term debt	265	-	-	(265)
Total government	<u>\$ 304,982</u>	<u>\$ 58,716</u>	<u>\$ 110,000</u>	(136,266)
General revenues				
Property taxes, levied for				
General purposes				56,856
Fire protection				90,401
Grants and contributions not restricted to specific programs				118,440
Unrestricted investment earnings				15,201
Miscellaneous				5,420
Total general revenues				<u>286,318</u>
Change in net assets				150,052
Net assets at April 1, 2006				<u>887,072</u>
Net assets at March 31, 2007				<u>\$ 1,037,124</u>

The accompanying notes are an integral part of this statement.

Moorland Township
BALANCE SHEET
 Governmental Funds
 March 31, 2007

	General Fund	Fire Fund	Total governmental funds
ASSETS			
Cash and cash equivalents	\$ 475,066	\$ 103,517	\$ 578,583
Due from other funds	-	11,266	11,266
Due from other governmental units	28,453	19,102	47,555
Prepaid items	4,229	6,900	11,129
Total assets	<u>\$ 507,748</u>	<u>\$ 140,785</u>	<u>\$ 648,533</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 4,750	\$ 2,674	\$ 7,424
Due to other funds	11,266	-	11,266
Accrued liabilities	932	1,532	2,464
Total liabilities	16,948	4,206	21,154
Fund balances			
Reserved for prepaid items	4,229	6,900	11,129
Unreserved, reported in			
General Fund	486,571	-	486,571
Special revenue funds	-	129,679	129,679
Total fund balances	490,800	136,579	627,379
Total liabilities and fund balances	<u>\$ 507,748</u>	<u>\$ 140,785</u>	<u>\$ 648,533</u>

The accompanying notes are an integral part of this statement.

Moorland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2007

Total fund balance—governmental funds		\$	627,379
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$	723,177	
Accumulated depreciation		<u>(313,432)</u>	<u>409,745</u>

Net assets of governmental activities in the Statement of Net Assets		\$	<u><u>1,037,124</u></u>
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The accompanying notes are an integral part of this statement.

Moorland Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2007

	General Fund	Fire Fund	Total governmental funds
REVENUES			
Property taxes	\$ 56,856	\$ 90,401	\$ 147,257
Licenses and permits	2,263	-	2,263
Intergovernmental revenues			
State	118,440	-	118,440
Local	53,633	-	53,633
Charges for services	777	-	777
Investment earnings	13,533	1,668	15,201
Other	5,420	2,043	7,463
Total revenues	250,922	94,112	345,034
EXPENDITURES			
Current			
General government	119,444	-	119,444
Public safety	920	45,929	46,849
Public works	92,338	-	92,338
Community and economic development	5,547	-	5,547
Other governmental functions	11,096	-	11,096
Debt service			
Principal	-	21,687	21,687
Interest and fees	-	265	265
Capital outlay	12,200	16,452	28,652
Total expenditures	241,545	84,333	325,878
Net change in fund balances	9,377	9,779	19,156
Fund balances at April 1, 2006	481,423	126,800	608,223
Fund balances at March 31, 2007	\$ 490,800	\$ 136,579	\$ 627,379

The accompanying notes are an integral part of this statement.

Moorland Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2007

Net change in fund balances—total governmental funds	\$	19,156
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Amounts reported for governmental activities in the Statement of Activities are different because:

Contribution of capital assets are recorded as revenues in the Statement of Activities, but not in the governmental funds.	110,000
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Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (23,875)		
Capital outlay	<u>23,084</u>	(791)	

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>21,687</u>
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Change in net assets of governmental activities	\$	<u><u>150,052</u></u>
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The accompanying notes are an integral part of this statement.

Moorland Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Current Tax Fund
March 31, 2007

ASSETS

Cash and cash equivalents

\$ -

LIABILITIES

Due to other governmental units

\$ -

The accompanying notes are an integral part of this statement.

Moorland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Moorland Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a municipal corporation governed by an elected five-member board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Moorland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund provides fire protection service for the community.

Additionally, the Township reports the following fund types:

The Fiduciary Fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Moorland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following February 15 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Township totaled approximately \$35,750,000. The ad valorem taxes levied consisted of 1.1399 mills for the Township's operating purposes and 2.5000 for fire operating purposes. These amounts are recognized in the General Fund and the Fire Fund, respectively.

Moorland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Furniture and equipment	3-20
Fire equipment	5-30

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Moorland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended March 31, 2007, actual expenditures exceeded appropriations for debt service by \$21,687 in the Fire Fund. These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$515,573 of the Township's bank balance of \$715,573 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Moorland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
Capital assets, being depreciated:				
Buildings and improvements	159,094	7,342	-	166,436
Furniture and equipment	14,211	-	-	14,211
Fire equipment	394,288	125,742	-	520,030
Total capital assets, being depreciated	567,593	133,084	-	700,677
Less accumulated depreciation:				
Buildings and improvements	113,515	3,279	-	116,794
Furniture and equipment	2,072	2,284	-	4,356
Fire equipment	173,970	18,312	-	192,282
Total accumulated depreciation	289,557	23,875	-	313,432
Total capital assets, being depreciated, net	278,036	109,209	-	387,245
Capital assets, net	\$ 300,536	\$ 109,209	\$ -	\$ 409,745

Depreciation

Depreciation expense has been charged to functions as follows:

General government	\$ 3,523
Public safety	20,352
	<u>\$ 23,875</u>

Moorland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE E—INTERFUND RECEIVABLES AND PAYABLES

Due to/from other funds:

At March 31, 2007, the General Fund owed the Fire Fund \$11,266.

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2007.

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007	Due within one year
Governmental activities					
Installment purchase agreement	\$ 21,687	\$ -	\$ 21,687	\$ -	\$ -

The installment purchase agreement required monthly installments of \$464, including interest at 7 percent; final payment was made in June 2006.

NOTE G—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk by participating in the Michigan Township Participation Plan (MMTP), a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium to MMTP for its insurance coverage. The MMTP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Moorland Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2007

NOTE H—PENSION PLAN

Defined Compensation Plan

The Township provides pension benefits for all elected employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires a 10 percent contribution of qualified payroll. The Plan is administered through Symetra Financial, an independent third party. The board members are not required to contribute to the Plan. For the year ended March 31, 2007, pension expense was approximately \$4,800.

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues are 47 percent of General Fund revenues.

NOTE J—COMMITMENTS

As of March 31, 2007, the Township accepted and approved a bid of approximately \$23,700 for roof replacement on the Township hall and fire station. This expenditure will be funded by the General Fund. In June 2007, the Fire Fund committed to the purchase of a fire truck for approximately \$50,000. This purchase will be financed with an installment purchase obligation.

REQUIRED SUPPLEMENTARY INFORMATION

Moorland Township
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 58,206	\$ 58,206	\$ 56,856	\$ (1,350)
Licenses and permits	4,000	4,000	2,263	(1,737)
Intergovernmental revenues				
State	121,000	121,000	118,440	(2,560)
Local	22,000	22,000	53,633	31,633
Charges for services	500	500	777	277
Investment earnings	6,000	6,000	13,533	7,533
Other	1,900	1,900	5,420	3,520
Total revenues	213,606	213,606	250,922	37,316
EXPENDITURES				
Current				
General government				
Township Board	56,200	61,217	36,871	24,346
Supervisor	13,250	13,250	12,242	1,008
Elections	2,850	3,450	3,193	257
Assessor	11,800	12,500	11,838	662
Clerk	18,550	18,950	17,262	1,688
Board of review	1,000	1,000	575	425
Treasurer	19,050	19,050	16,551	2,499
Buildings and grounds	12,500	12,500	11,469	1,031
Cemetery	9,350	9,350	6,028	3,322
General administrative	11,500	11,500	3,415	8,085
Public safety				
Inspections department	500	940	920	20
Public works				
Roads	172,500	172,500	78,416	94,084
Street lights	6,000	6,000	5,848	152
Sanitary landfill	10,000	10,000	7,074	2,926
Drains	5,000	5,000	1,000	4,000
Community and economic development				
Planning commission	3,500	3,500	1,597	1,903
Zoning	5,000	5,000	3,950	1,050
Other governmental functions				
Social security	2,000	2,400	2,181	219
Insurance and bonds	6,000	6,000	4,165	1,835
Pension	5,000	5,000	4,750	250
Contingencies	12,000	4,443	-	4,443
Other	2,000	2,000	-	2,000
Capital outlay	11,500	11,500	12,200	(700)
Total expenditures	397,050	397,050	241,545	155,505
Net change in fund balance	\$ (183,444)	\$ (183,444)	9,377	\$ 192,821
Fund balance at April 1, 2006			481,423	
Fund balance at March 31, 2007			\$ 490,800	

Moorland Township
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

Fire Fund
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 95,258	\$ 95,258	\$ 90,401	\$ (4,857)
Investment earnings	408	408	1,668	1,260
Other	204	204	2,043	1,839
Total revenues	<u>95,870</u>	<u>95,870</u>	<u>94,112</u>	<u>(1,758)</u>
EXPENDITURES				
Current				
Public safety	63,884	63,884	45,929	17,955
Debt service				
Principal	-	-	21,687	(21,687)
Interest and fees	-	-	265	(265)
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>16,452</u>	<u>3,548</u>
Total expenditures	<u>83,884</u>	<u>83,884</u>	<u>84,333</u>	<u>(449)</u>
Net change in fund balance	<u>\$ 11,986</u>	<u>\$ 11,986</u>	9,779	<u>\$ (2,207)</u>
Fund balance at April 1, 2006			<u>126,800</u>	
Fund balance at March 31, 2007			<u>\$ 136,579</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2007

Township Board
Moorland Township
Ravenna, Michigan

In planning and performing our audit of the governmental activities and each major fund of Moorland Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Moorland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Moorland Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Moorland Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached a deficiency in internal control that we consider to be a significant deficiency.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.